

ABSTRACT

Thesis Title: Demand for Thai Gems in the Japanese Market
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This research aims to investigate the demand for Thai gems in the Japanese market. The study is divided into two aspects: an overview of the gems industry in Thailand and an investigation factors determining demand for Thai gems, in particular diamond and precious stones, in the Japanese market.

The gems industry is a labor intensive and high value added industry. Except for diamond the raw materials for the industry are procured from both the domestic market and imports. Unfinished diamond is totally imported, mostly from the Belgium and United States, while other precious stones are imported from India and Myanmar.

By having expertise and skilled labor, Thailand has a comparative advantage in the gems industry, and about 80 percent of its production is for export. The principal markets for Thai gems are Japan, the United States, Hong Kong and Switzerland. Nevertheless, the competitiveness of Thai diamond has declined because of rising price, while precious stones remain as strong as before.

The ordinary least squares (OLS) technique was employed to study the factors influencing the demand for Thai gems in the Japanese market during 1980-1995. The demand models of diamond and precious stones were in the log linear

forms. In the case of diamond, the result indicate that the factor most statically significant in influencing demand is Japan's real gross national product (GNP), followed by its price and Thailand's market penetration index in the Japanese diamond market. The demand for diamond was negatively related to its price; with elasticity value at 0.95, and positively related to GNP and market penetration index; with elasticity values of 2.21 and 0.85 respectively. For precious stones, the results show that the factor most influencing demand is Japan's real GNP, followed by relative prices and Thailand's market penetration index in the Japanese precious stone market. The relative prices are the ratios of Thailand's precious stone prices to its competitor prices in the Japanese market. The demand for precious stones was negatively related to relative prices; with elasticity value at 0.69 and positively related to GNP and market penetration index; with elasticity values of 3.93 and 0.64 respectively.

For the period studied, the results showed that the demand for diamond depends only on its prices, while the demand for precious stones is dependent on relative prices. When the demand for diamond is independent of its competitor prices, this implies that the product has its own characteristics (e.g. quality, cutting standards and unique designs), that consumers consider the important factors. Thus, consumers can disregard any substitutes. For precious stones, since they are not as valuable as diamond, consumers will consider the products themselves, along with the substitutes. In addition, the results showed that demand for diamond and precious stones is highly dependent on income, and confirmed the hypotheses that these products are luxury goods.